
HOUSE BILL 2554

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By Representatives Hinkle, Dunn, Anderson, Talcott, McDonald, Serben, B. Sullivan, Cody and Rodne

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1 AN ACT Relating to improving the quality of health care through the
2 use of health information technologies; amending RCW 41.05.021; adding
3 a new section to chapter 82.04 RCW; providing an effective date; and
4 providing an expiration date.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 NEW SECTION. **Sec. 1.** A new section is added to chapter 82.04 RCW
7 to read as follows:

8 (1) Subject to the limits in this section, an eligible person is
9 authorized a credit against the tax due under this chapter for the
10 acquisition of health information technologies certified as eligible
11 for credit by the health care authority as provided in RCW 41.05.021.

12 (2) The credit allowed under this section:

13 (a) Is limited to fifty percent of the amount expended to acquire
14 computer hardware, software, labor, or services necessary for the
15 development, enhancement, or installation of certified health
16 information technologies.

17 (b) Is subject to a lifetime maximum of ten thousand dollars for
18 each eligible person.

1 (c) Must be claimed in the calendar year in which the expenditure
2 occurs by the due date of the last tax return for the calendar year in
3 which the expenditure occurs and may not exceed the amount of tax
4 imposed under this chapter.

5 (d) In no case may a credit earned during one calendar year be
6 carried over to be credited against taxes incurred in a subsequent
7 calendar year. No refunds may be granted for credits under this
8 section.

9 (3) The credit allowed under this section shall not be claimed for
10 expenditures that occur before:

11 (a) The health care authority has certified the health information
12 technologies as eligible for the tax credit as provided in RCW
13 41.05.021; and

14 (b) The effective date of this section.

15 (4) No application is necessary for the tax credit. An eligible
16 person claiming this credit must keep records necessary for the
17 department to verify eligibility under this section. This includes,
18 but is not limited to, documentation substantiating that the health
19 information technologies acquired by the person are certified by the
20 health care authority as provided in RCW 41.05.021.

21 (5) If at any time the department finds that a person is not
22 eligible for tax credit under this section, the amount of taxes for
23 which a credit has been used shall be immediately due. The department
24 shall assess interest, but not penalties, on the credited taxes for
25 which the person is not eligible. The interest shall be assessed at
26 the rate provided for delinquent excise taxes under chapter 82.32 RCW,
27 shall be assessed retroactively to the date the tax credit was taken,
28 and shall accrue until the taxes for which a credit has been used are
29 repaid.

30 (6) For the purposes of this section:

31 (a) "Eligible person" means:

32 (i) A physician licensed under chapter 18.22, 18.57, or 18.71 RCW,
33 who is registered as a sole proprietor;

34 (ii) Any entity consisting of at least two but not more than five
35 physicians licensed under chapter 18.22, 18.57, or 18.71 RCW, including
36 physicians who are employees, officers, or owners of such entity;

37 (iii) An advanced registered nurse practitioner licensed under
38 chapter 18.79 RCW who is a sole proprietor;

1 (iv) Any entity consisting of at least two but not more than five
2 advanced registered nurse practitioners licensed under chapter 18.79
3 RCW, including advanced registered nurse practitioners who are
4 employees, officers, or owners of such entity; or

5 (v) Any entity consisting of a combination of physicians licensed
6 under chapter 18.22, 18.57, or 18.71 RCW and advanced registered nurse
7 practitioners licensed under chapter 18.79 RCW not to exceed five,
8 including physicians and advanced registered nurse practitioners who
9 are employees, officers, or owners of such entity.

10 (b) "Health information technologies" has the meaning provided in
11 RCW 41.05.021.

12 (7) This section expires December 31, 2012.

13 **Sec. 2.** RCW 41.05.021 and 2005 c 446 s 1 are each amended to read
14 as follows:

15 (1) The Washington state health care authority is created within
16 the executive branch. The authority shall have an administrator
17 appointed by the governor, with the consent of the senate. The
18 administrator shall serve at the pleasure of the governor. The
19 administrator may employ up to seven staff members, who shall be exempt
20 from chapter 41.06 RCW, and any additional staff members as are
21 necessary to administer this chapter. The administrator may delegate
22 any power or duty vested in him or her by this chapter, including
23 authority to make final decisions and enter final orders in hearings
24 conducted under chapter 34.05 RCW. The primary duties of the authority
25 shall be to: Administer state employees' insurance benefits and
26 retired or disabled school employees' insurance benefits; administer
27 the basic health plan pursuant to chapter 70.47 RCW; study state-
28 purchased health care programs in order to maximize cost containment in
29 these programs while ensuring access to quality health care; and
30 implement state initiatives, joint purchasing strategies, and
31 techniques for efficient administration that have potential application
32 to all state-purchased health services. The authority's duties
33 include, but are not limited to, the following:

34 (a) To administer health care benefit programs for employees and
35 retired or disabled school employees as specifically authorized in RCW
36 41.05.065 and in accordance with the methods described in RCW
37 41.05.075, 41.05.140, and other provisions of this chapter;

1 (b) To analyze state-purchased health care programs and to explore
2 options for cost containment and delivery alternatives for those
3 programs that are consistent with the purposes of those programs,
4 including, but not limited to:

5 (i) Creation of economic incentives for the persons for whom the
6 state purchases health care to appropriately utilize and purchase
7 health care services, including the development of flexible benefit
8 plans to offset increases in individual financial responsibility;

9 (ii) Utilization of provider arrangements that encourage cost
10 containment, including but not limited to prepaid delivery systems,
11 utilization review, and prospective payment methods, and that ensure
12 access to quality care, including assuring reasonable access to local
13 providers, especially for employees residing in rural areas;

14 (iii) Coordination of state agency efforts to purchase drugs
15 effectively as provided in RCW 70.14.050;

16 (iv) Development of recommendations and methods for purchasing
17 medical equipment and supporting services on a volume discount basis;

18 (v) Development of data systems to obtain utilization data from
19 state-purchased health care programs in order to identify cost centers,
20 utilization patterns, provider and hospital practice patterns, and
21 procedure costs, utilizing the information obtained pursuant to RCW
22 41.05.031; and

23 (vi) In collaboration with other state agencies that administer
24 state purchased health care programs, private health care purchasers,
25 health care facilities, providers, and carriers, use evidence-based
26 medicine principles to develop common performance measures and
27 implement financial incentives in contracts with insuring entities,
28 health care facilities, and providers that:

29 (A) Reward improvements in health outcomes for individuals with
30 chronic diseases, increased utilization of appropriate preventive
31 health services, and reductions in medical errors; and

32 (B) Increase, through appropriate incentives to insuring entities,
33 health care facilities, and providers, the adoption and use of
34 information technology that contributes to improved health outcomes,
35 better coordination of care, and decreased medical errors;

36 (c) To analyze areas of public and private health care interaction;

37 (d) To provide information and technical and administrative
38 assistance to the board;

1 (e) To review and approve or deny applications from counties,
2 municipalities, and other political subdivisions of the state to
3 provide state-sponsored insurance or self-insurance programs to their
4 employees in accordance with the provisions of RCW 41.04.205, setting
5 the premium contribution for approved groups as outlined in RCW
6 41.05.050;

7 (f) To establish billing procedures and collect funds from school
8 districts and educational service districts under RCW 28A.400.400 in a
9 way that minimizes the administrative burden on districts;

10 (g) To publish and distribute to nonparticipating school districts
11 and educational service districts by October 1st of each year a
12 description of health care benefit plans available through the
13 authority and the estimated cost if school districts and educational
14 service district employees were enrolled; (~~and~~)

15 (h) To promulgate and adopt rules consistent with this chapter as
16 described in RCW 41.05.160; and

17 (i)(i) Certifying that certain health information technologies
18 acquired by persons seeking the tax credit authorized in section 1 of
19 this act are consistent with recognized state and national standards
20 related to:

21 (A) Interoperability;

22 (B) Security;

23 (C) The protection of confidentiality; and

24 (D) Other subjects determined appropriate by the health care
25 authority; and

26 (ii) Making a determination that standards related to
27 interoperability, security, and the protection of confidentiality are
28 sufficiently established at the state and national level to ensure that
29 the credits authorized in section 1 of this act will encourage the
30 adoption of health information technologies that are compatible with
31 the development of a statewide system of interoperable health
32 information technologies. The health care authority shall develop a
33 list of health information technologies certified as eligible for the
34 tax credit provided in section 1 of this act and provide the list to
35 the department of revenue ninety days before the list becomes available
36 to the public.

37 As used in this subsection, "health information technologies" means
38 a computerized system that provides access to patients' medical records

1 in an electronic format in a manner consistent with the regulations
2 adopted under section 264(c) of the health insurance portability and
3 accountability act (42 U.S.C. 1320d-2 note) and chapter 70.02 RCW, and
4 includes e-mail communication, clinical alerts and reminders, and other
5 information technologies as prescribed by the administrator.

6 (2) (~~On and after January 1, 1996,~~) The public employees'
7 benefits board may implement strategies to promote managed competition
8 among employee health benefit plans. Strategies may include but are
9 not limited to:

- 10 (a) Standardizing the benefit package;
- 11 (b) Soliciting competitive bids for the benefit package;
- 12 (c) Limiting the state's contribution to a percent of the lowest
13 priced qualified plan within a geographical area;
- 14 (d) Monitoring the impact of the approach under this subsection
15 with regards to: Efficiencies in health service delivery, cost shifts
16 to subscribers, access to and choice of managed care plans statewide,
17 and quality of health services. The health care authority shall also
18 advise on the value of administering a benchmark employer-managed plan
19 to promote competition among managed care plans.

20 NEW SECTION. **Sec. 3.** Section 1 of this act takes effect January
21 1, 2007.

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